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C O N F I D E N T I A L SECTION 01 OF 02 YEREVAN 001055

SIPDIS

DEPT FOR EUR/CACEN, EUR/ACE, EB/ESC, NEA/ARP

E.O. 12958: DECL: 06/16/2015

TAGS: [PREL](#), [ECON](#), [EPET](#), [AM](#), [IR](#), [RU](#)

SUBJECT: IRANIAN-ARMENIAN CROSS BORDER TRADE AND ECONOMIC RELATIONS

REF: BAKU 877

Classified By: DCM A.F. Godfrey for reasons 1.4 (b, d).

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SUMMARY

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1. (C) In a lead up to the Iranian presidential elections, the government of Iran (GOI) has made some efforts to increase trade with Armenia. This included hosting 60 owners of small- to medium-sized Armenian businesses for a conference in Tabriz, agreeing to open an Armenian consulate in Tabriz, and promising to open up an Iranian business center in Yerevan. Despite these steps, Armenian businessmen and government officials do not foresee a significant increase in cross-border trade, although Russian transshipment through Armenia to Iran remains a concern. End Summary.

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IRANIAN BUSINESS CONFERENCE IN TABRIZ  
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2. (C) Samvel Stepanovich and Samvel Hachikovich of the Armenian Chamber of Commerce (ACC) told us that they and approximately 60 owners of small- to medium-sized Armenian businesses attended the Iranian business conference in Tabriz on 1 June. They stated they went more out of curiosity than with the intention of signing business contracts with Iranian counterparts. They commented that the conference was well organized and included field trips to various large Iranian factories. The Armenian businessmen noted that the conference appeared to be more of a vehicle for the GOI to show off its factories than a forum for holding substantive discussions about trade possibilities. The businessmen explained that no joint ventures, investment or trade agreements came out of the conference nor did they envision any in the near future. A protocol of intentions was signed identifying some possibilities for cooperation but the Armenian businessmen dismissed it as symbolic and not substantial. Both stated that almost all members of the ACC preferred to conduct business with European and/or U.S. companies. They explained that this would not change soon unless they saw some significant changes in the business practices by Iranian businessmen and/or the GOI. The ACC was aware of the free trade zone established in Meghri, Armenia but they had no immediate plans to take advantage of it.

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PLANNED ARMENIAN CONSULATE IN TABRIZ  
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3. (C) Hasmik Dashtoyan, head of the Iran Department of the Ministry of Foreign Affairs, confirmed that the GOI agreed that Armenia could open a consulate in Tabriz in the autumn of 2005. Dashtoyan also confirmed that the GOI was interested in opening up an Iranian trade center in Yerevan at roughly the same time. Despite an increase in the trade turnover between the two countries during the four months of 2005 (vice the same period of 2004) to USD 30 million from USD 24 million, Dashtoyan did not believe there was any significant upswing in trade with Iran. Dashtoyan claimed, however, that opening the consulate in Tabriz should help increase some cross-border trade activities and trade in the Tabriz region. Dashtoyan also explained that the new consulate should help Iranian business travellers with visas and could encourage new economic projects. Dashtoyan believed that the opening of the consulate, coupled with a proposed new highway to Iran, may help facilitate an increase in overall trade but she did not foresee any new products from Iran appearing on the Armenian market.

4. (C) Dashtoyan stated that she did not see any drop-off in political activity between the two nations and stated that a delegation consisting of members from the Iranian Ministry of Education and Science and Iranian regional leaders was scheduled to arrive shortly in Armenia to discuss student exchanges and the mutual recognition of academic diplomas. She explained to us that the Armenian Minister of Energy Movsesian and his delegation just returned from Iran on June 13. She explained that Movsesian and his Iranian counterpart discussed joint economic projects such as the Armenian-Iranian gas pipeline (septel).

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RUSSIAN TRANSHIPMENT?  
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15. (C) Former National Security Service Chief David Shahnazarian alleged recently that Russian institutes (specifically the Kurchatov Institute and "two secret Siberian Institutes") had shipped material through Armenia to Iran for use in Iran's weapons programs (reftel). He believed, however, that no fissionable material was crossing the border, but that the institutes were shipping technology and expertise. Crossing the border from Iran and eventually ending up in Russia, he claimed, were considerable amounts of narcotics, especially heroin. (Note: Shahnazarian, while he maintains the contacts that would give him continued access to this kind of information, strongly opposes the current government and has an interest in seeing it portrayed in a negative light. End Note.)

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COMMENT  
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16. (C) Despite the increase in the trade turnover figures for the first four months of 2005, Iran is still in eighth place in overall trade with Armenia, behind Great Britain and Switzerland. Neither Dastoyan nor the businessmen from the ACC felt that the possible opening of an Armenian consulate in Tabriz, the opening of an Iranian business center in Yerevan, or the hosting of business conferences in Iran would have a significant affect on trade with Iran. Armenian businessmen still prefer to work with their US and European counterparts due to a stronger rule of law and more comfort with European and US business practices. This coupled with the Armenian public perception that Iranian imports are of lesser quality than European and U.S. products will likely keep Iranian trade figures from substantially increasing in the near future.

EVANS